

Resolution

NO. 24

of the Energy Regulatory Commission of the Republic of Armenia
dated April, 1998
City of Yerevan

On the ERC Activity Report for 1997

The Energy Regulatory Commission resolves:

1. Being guided by Article 32 of the RoA Energy Law, **to approve the ERC Activity Report for 1997 (attached).**
2. To delegate to Mr. S. Arabajian, Head of the ERC Legal Department, the assignment of publication of the above Report in the mass media.

V. Movsesian,
Chairman of the RoA Energy Regulatory Commission

**ENERGY REGULATORY COMMISSION
OF THE REPUBLIC OF ARMENIA**

ACTIVITY REPORT FOR 1997

Yerevan 1998

Introduction

The Energy Regulatory Commission (ERC) of the Republic of Armenia was created in conformance with the Decree of the President of the Republic of Armenia NH 717, dated April 3, 1997. The Chairman of the ERC, the Deputy Chairman and the three Commissioners were appointed in conformance with the Decree of the President of the Republic of Armenia NH 720, dated April 15, 1997.

The ERC is a regulatory body in the energy sector, acting in compliance with the RoA Energy Law, and other normative and legal documents, and is independent within the scope of its jurisdiction.

The Commissioners are:

Vardan Movsesian	Chairman
Nikolay Grigorian	Deputy Chairman
Ashot Hovsepian	Commissioner
Emil Ajemian	Commissioner
Mels Avagian	Commissioner

The ERC is carrying out its activity through the Commission staff, the organizational chart of which is represented in Fig. 1.

The current activities of the ERC have been accomplished in accordance with the “ERC Workplan of Priorities”, approved by the ERC Chairman, and the “Workplan of Essential Activities Aimed at the Enforcement of the RoA Energy Law”, approved by the RoA Minister of Energy and the ERC Chairman.

The basic tasks and authorities of the ERC are described in Articles 19 and 20 of the RoA Energy Law.

THE ERC ACTIVITY DURING 1997

1. Tariff Policies

The estimated annual costs, based on the review of the financial and economic activity during 1996-97 of the generating, importing, transmitting (transporting) and distributing economic entities in the energy sector of Armenia, as well as on the examination of the energy balance for the first half of 1997 have been systematized, in accordance with their priority. The minimum costs for operation, maintenance, urgent and current repairs ensuring the safe and reliable functioning of the system, have been defined in accordance with the principle of mutual agreement. In the natural gas sector the minimum costs for restoration of gas supply, as well as for the purchase and installation of gas meters have also been determined. Based on those, and also, taking into consideration the conditions of providing reliable power supply to the customers, the tariffs for the following have been set off:

- electricity generated in power plants (TPPs, HPPs, ANPP);

- electricity sold by ARMENERGO State-Owned Enterprise (SOE) to the distribution networks (11 regional distribution SOEs);
- electricity sold to the 35kV and over, 6(10)kV direct and 0.4kV customers (including residential ones);
- thermal energy generated in the TPPs (Yerevan and Razdan TPPs);
- thermal energy sold by the THERMAL NETWORKS SOE to residential areas;
- centralized heating during the winter season 1997-98 (to 22 residential areas of Armenia);
- natural gas sold to the customers with a monthly consumption beyond 10 thousand nm³, and over 10 thousand nm³;
- importing companies of natural gas;
- transporting companies of natural gas (including storage);
- distributing companies of natural gas.

The tariffs have been published in the mass media and the Reference Book of the RoA Ministerial Normative Documents.

Draft procedures of tariff review in the power sector have been developed. The draft models for Tariff Applications and Justifying Documents, as well as for accounting and financial-economic reports for economic entities have been developed, in accordance with the Internationally Accepted Accounting Standards (IAAS) and special requirements of the ERC.

Within the scope of the ERC workplan for 1998, the energy balance for 1998 has been forecast, based on which and, also, taking into account the objective economic processes, forecasts for possible tariff changes have been made.

2. Licensing of the Activity

Based on the studies of the American, Central European and some CIS countries' experience, and taking into consideration some peculiarities of the Armenian power sector and the Armenian Legislation, the drafts for the following have been developed:

- Licensing Procedures for operation in the energy sector;
- terms and provisions of the Licensed Activity and model Licenses for generation, transmission (transportation), distribution of electric and thermal energy; transportation and distribution of natural gas; construction of small HPPs. Those drafts have been referred to the interested Ministries and economic entities for comments and suggestions.

3. Development of Model Power Supply Contracts. Registration of Contracts

In conformance with the requirements of the RoA Legislation and legal normative documents, the following model contracts have been developed and handed over for publication on the Reference Book of the RoA Ministerial Normative Documents:

- Importer of natural gas - Transporter of natural gas;
- Distributor of natural gas - Residential Customer;
- Distributor of natural gas - Consumers with a legal status.

The registration procedures for the Power Supply Contracts have also been developed and published .

The following contracts were registered in 1997:

- HAYGASARD SOC (Importer) - HAYTRANSGAS SOE (Transporter);
- HAYTRANSGAS SOE (Transporter) - HAYGAS SOE (Distributor);
- HAYGASARD SOC (Importer) - HAYGAS SOE (Distributor).

The drafts for the following Power Supply Contracts have been developed and referred to the interested Ministries and economic entities for comments and suggestions:

- Consumer of Electricity - Distributor of Electricity;
- Transmitter of Electricity - Distributor of Electricity;
- Generator of Thermal Power for Heating Purposes (hot water) - Consumer of Thermal Power;
- Transporter of Thermal Power (steam) - Consumer of Thermal Power;
- Generator of Thermal Power (steam and hot water) - Transporter of Thermal Power;
- Transporter of Thermal Power (hot water) Distributor of Thermal Power ;
- Distributor of Thermal Power - Residential Customer.

4. Interaction With the Government and Legislative Bodies, and the Mass Media

During 1997 the ERC reviewed and provided comments on the following drafts of the RoA Laws and RoA Government Resolutions:

- RoA Law on Energy Conservation;
- RoA Petroleum and Gas Law;
- RoA Law on the Peaceful Utilization of Nuclear Power;
- RoA Law on Liability for Illegal Consumption of Electricity, Thermal Power and Natural Gas;
- RoA Government Resolution on the Amendments to the RoA Government Resolution 221 (d), dated June 25, 1997;
- RoA Government Resolution on the Activities Aimed at the Restoration of the Financial Viability of the Power Sector;

- RoA Government Resolution on the Safety Zones of the Power Sector Entities.

The ERC has also reviewed and provided comments on the following documents developed by the RoA Ministry of Energy:

- Rules for Electricity Use;
- Rules for Thermal Power Use;
- Rules for Natural Gas Use.

The ERC has participated in the development of the following documents:

- ARMROSGASPROM JC charter documents
- Agreement on the Transfer of the Fixed Assets of the RoA Gas Transportation System to ARMROSGASPROM JC;
- Gas Import Contract Into Armenia.

In September, 1997, the ERC Activity Program for 1998 was developed and presented to the National Assembly of Armenia. The ERC Chairman Movsesian commented on the above Program before the National Assembly.

Numerous press conferences and briefings were organized and carried out by the ERC during the year 1997. The Chairman and the Commissioners granted interviews that were broadcast via radio and TV, and published in the newspapers.

The ERC has received an extensive correspondence from the economic entities within the power sector, consumers with a legal status and residential customers, regarding the enforcement of the RoA Energy Law and other legal normative documents, and has provided comprehensive responses to all of them, sometimes even organizing discussions with participation of the interested parties.

5. Interaction With International Organizations

The ERC held meetings and conducted negotiations with the World Bank (WB), United States Agency for International Development (USAID), the American Hagler Bailly and the Greek KANTOR consulting companies, the international Price-Waterhouse and KPMG Auditing Firms, the International Institute of Education (IIE), as well as with numerous private financial and economic organizations and individual businessmen, regarding the issues of reforms in the power sector, promotion of foreign investments, provision of guarantees for investors, transition to the IAAS system, training of regulatory experts and so on.

The ERC has established business relationship with a number of countries (Russian Federation, Ukraine, Hungary, etc.) and with the Public Utility Commissions of the U.S. states of Maine, New-Hampshire and Kentucky.

USAID has rendered extensive support to the Commissioners and staff in terms of enhancing the professional ability of the staff and the survival of the Commission.

In 1997, with the financing provided by USAID, the American consulting company Hagler Bailly rendered consultancy to the ERC, carried out a comprehensive analysis of the legal-normative and

technical documents developed by the ERC, organized training sessions for the ERC staff members in Yerevan, as well as in the United States, supported the ERC delegation's participation in the International Conference of the energy regulatory bodies of Central European and CIS countries in Budapest, organized by itself.

Training sessions were also arranged with support from the U.S. Energy Association (USEA) and the WB.

6. Financial Reporting on the ERC Activity

The ERC activity during 1997 was carried out with the funds provided by the RoA state budget and the first Technical Assistance Loan Program for Structural Reforms (SATAC-1). The financial reporting by cost items is presented in Tables 1 and 2.

As a technical assistance in 1997, the USAID provided computers and other equipment for the Commission, as well as vehicles and materials \$90,100 worth.

TABLE 1
EXPENDITURES FROM THE BUDGET

D	Expenditure Article	Expenditure Item	From the Budget (1000 drams)	Actually Spent (1000 drams)	Balance (1000 drams)
1	2	3	4	5	6
1.	01	Salary	8840.0	8840.0	-
2.	02	Income on Salary	3182.4	3182.4	-
3.	03	Stationary	85.0	85.0	-
4.	12	Purchase of Property and Equipment	2.5	2.5	-
5.	13	Vehicle Expenses	250.0	250	-
6.	17	Entertainment Budget	-	-	-
7.	18	Other Expenses	-	-	-
		Total	12359.9	12359.9	-

TABLE 2

EXPENDITURE OF THE SATAC-1 LOAN PROGRAM FUNDS

D	Expenditure Item	Allocated (1000 drams)	Actually Spent (1000 drams)	Balance* (Economized) (1000 drams)
1	2	3	4	5
1.	Staff Salary for June-December	20550.0	16428.0	4122.0
2.	Rent	4000.0	3332.0	668.0
3.	Economic Expenses	3062.5	3078.6	-16.1
4.	Business Trips	2984.0	1925.6	1058.4
5.	Communication	2984.0	831.8	2152.2
6.	Utilities	1044.5	570.6	473.9
7.	Transportation	3481.5	3274.2	207.3
8.	Repairs	1890.0	998.0	892.0
9.	Other Expenses	497.5	492.3	5.2
10.	Local Consultancy Expenses	6963.0	-	6963.0
11.	Publication Expenses	1591.5	-	1591.5
12.	Seminars	1193.5	-	1193.5
	Total	50242.0	30931.1	19310.9

* 11626.479 thousand drams of the economized funds have been allocated to the Energy regulatory Commission, in conformance with the RoA Government Resolution No. 47, dated February 5, 1998, to be used for communication, local consultancy, publication, seminars and other needs, as specified by the expenditure articles.